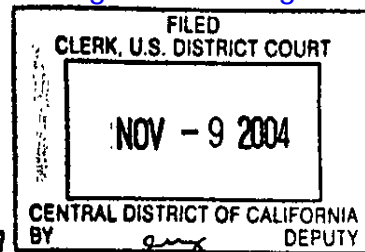
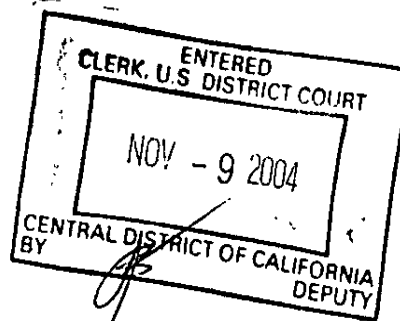


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UNITED STATES DISTRICT COURT
 CENTRAL DISTRICT OF CALIFORNIA

Perfect 10, Inc

CV 02-7624 LGB (SHx)

Plaintiff,

v.

Order GRANTING Plaintiff's
 Motion for Order to
 Dismiss under FRCP Rule 41

CWIE, LLC et al.

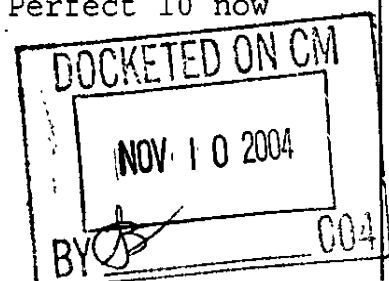
Defendant.

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I. INTRODUCTION

Plaintiff Perfect 10, Inc. ("Perfect 10") brought this action against Cavecreek Whole Sale Internet Exchange ("CWIE") and CCBill, LLC (CCBill) on September 30, 2002. On June 22, 2004 this Court granted in part and denied in part the parties' motions for summary judgment. Perfect 10's remaining claims are for violations of federal trademark law, state trademark law, and the right to publicity under California law. Perfect 10 now

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1 moves for an order to dismiss the claims against these defendants
2 pursuant to Federal Rules of civil Procedure, Rule 41(a)(2).

3 Pursuant to Federal Rule of Civil Procedure 78 and Local
4 Rule 7-15, the Court **VACATES** the November 15, 2004 hearing
5 noticed for the above motion and will decide the motion on the
6 basis of the papers submitted. Therefore, **the parties are not to**
7 **appear before the Court on November 15, 2004 at 10:00 A.M.**

8 **II. FACTUAL AND PROCEDURAL BACKGROUND**

9 A. FACTUAL BACKGROUND

10 These facts are taken from the Court's Summary Judgment
11 Order dated June 22, 2004.

12 Perfect 10 is the publisher of the adult entertainment
13 magazine Perfect 10 and the owner of the website perfect10.com.
14 Perfect 10 has created approximately 5,000 photographic images
15 for display in its magazine and on its website. Perfect 10 holds
16 registered copyrights for these images. In addition, Perfect 10
17 has several registered trademark/service marks. Finally, Perfect
18 10 is the assignee of the rights of publicity of many models.

19 Defendants in this action are CWIE and CC Bill. CWIE is a
20 provider of web-hosting and related internet connectivity. As a
21 provider of internet access, website hosting, and other internet
22 related services, CWIE offers its clients and their customers and
23 users the means to acquire and disseminate public, private,
24 commercial, and non-commercial information. CWIE's clients are
25 the creators and/or owners of the content they seek to present to
26 consumers via their website.
27
28

1 The second Defendant is CCBill. CCBill's clients are the
2 creators and/or owners of the content they seek to present to
3 consumers via the internet. CCBill provides a fully automated
4 Internet service that enables consumers to use credit cards or
5 checks to pay for subscriptions or membership to e-commerce
6 venues created and offered by CCBill's clients. CCBill does not
7 own or operate any site for which a subscription or membership is
8 required. As part of its services to its clients CCBill provides
9 an automated on-line accounting mechanism that clients may use to
10 verify statistical and financial activities processed for them
11 through CCBill's on-line internet automated transaction
12 processing system.

13
14 B. PROCEDURAL BACKGROUND

15 Perfect 10 filed its Complaint on September 30, 2002. The
16 Complaint alleges nine causes of action including copyright
17 infringement, trademark infringement, and violations of the right
18 to privacy. On October 16, 2003 the Court ordered bifurcation of
19 discovery in this case. Phase I discovery focused on the parties
20 copyright claims and that phase closed on January 16, 2003. The
21 parties then filed summary judgment motions. The Court granted
22 summary judgment on Perfect 10's copyright claims. The remaining
23 claims are for federal and state trademark violations and a for
24 violation of the right to publicity under California law. Phase
25 II discovery, which included discovery on the non-copyright
26 claims, ends on November 12, 2004.

27 On September 30, 2004 Perfect 10 brought this Motion to
28

1 Dismiss pursuant to Federal Rules of Civil Procedure, Rule
2 41(a)(2) requesting dismissal of its remaining claims without
3 prejudice. (Motion at 1.) If the Court is not willing to grant
4 this motion, Perfect 10 will accept the dismissal without
5 prejudice with the condition that Perfect 10 will not pursue the
6 remaining claims unless its copyright appeal is successful. Id.
7 at 5-6. Finally, as a last resort, Perfect 10 will accept a
8 dismissal with prejudice. Id. The Defendants oppose a dismissal
9 without prejudice but agree to a dismissal with prejudice.
10 (Opposition at 4.)

11 III. LEGAL STANDARD

12
13 Rule 41(a)(2) of the Federal Rules of Civil Procedure
14 provides that except when a dismissal is granted by a signed
15 stipulation of the parties or before an appropriate responsive
16 pleading is filed, an action shall not be dismissed at the
17 plaintiff's insistence save upon order of the court and upon such
18 terms and conditions as the court deems proper. Fed. R. Civ. P.
19 41(a)(2). Whether to allow a voluntary dismissal rests in the
20 court's discretion. Hamilton v. Firestone Tire & Rubber Co., 679
21 F.2d 143, 145 (9th Cir. 1982). The primary purpose of requiring
22 a court order for such a dismissal is to prevent voluntary
23 dismissals which unfairly affect the defendant and to permit the
24 imposition of curative conditions. Firestone, 679 F.2d at 143;
25 Alamance Industries, Inc. v. Filene's, 291 F.2d 142, 146 (1st
26 Cir. 1961). A district court should grant a motion for voluntary
27 dismissal under Rule 41(a)(2) unless a defendant can show that it
28

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1 will suffer some plain legal prejudice as a result. Smith v.
2 Lenches, 263 F.3d 972, 975 (9th Cir. 2001).

3 The mere prospect of a second lawsuit is not sufficient
4 legal prejudice to stop a voluntary dismissal. Firestone, 679
5 F.2d at 145. Rather, legal prejudice requires "prejudice to some
6 legal interest, some legal claim, [or] some legal argument."
7 Westlands Water Dist. v. United States, 100 F.3d 94, 97 (9th Cir.
8 1996). While the Court can impose curative conditions on a
9 voluntary dismissal, a plaintiff is entitled to withdraw its
10 motion if it does not accept the court's terms of dismissal.
11 Beard v. Sheet Metal Workers Union, Local 150, 908 F.2d 474, 476
12 (9th Cir. 2004); Lau v. Glendora Unified School District, 792
13 F.2d 929, 930-31 (9th Cir. 1986).

15 IV. ANALYSIS

16 A. Dismissal Without Prejudice

17 Rule 41(a)(2) provides that, unless otherwise specified in
18 the order, a dismissal under this paragraph is without prejudice.
19 Fed. Rule. Civ. P. 41(a)(2). Based on this Rule the Court will
20 grant the dismissal without prejudice unless this would impose
21 legal prejudice on the defendants. In its opposition to this
22 motion the Defendants list four reasons for not granting the
23 dismissal without prejudice: (1) efforts and expense in preparing
24 for trial; (2) the late timing of Perfect 10's Motion to Dismiss;
25 (3) Perfect 10's reasons for seeking to dismiss lack substance;
26 and (4) the length of this case. (Opposition at 6-8). The Ninth
27 Circuit has found that the late filing of a motion and expenses
28

1 of litigation are not legal prejudice. Westlands Water Dist, 100
2 F.3d at 97. This Court finds that the other reasons given by the
3 Defendants, Perfect 10's reasons for the dismissal and the length
4 of this case, do not show prejudice to a legal interest, a legal
5 argument, or a legal claim. See id. Since no legal prejudice
6 will result to the Defendants, the Court **GRANTS** the dismissal
7 without prejudice.

8 B. Costs and Conditions

9 The Court has the discretion to impose curative conditions
10 on a dismissal without prejudice. Id. The Defendants urge the
11 Court to impose conditions that (1) exceptional circumstances
12 exist for an award of attorneys fees under the Lanham Act; (2)
13 the Defendants are prevailing parties on the California right to
14 publicity claim; (3) an award for attorneys fees and costs is
15 warranted under Rule 41; and (4) the plaintiffs should show cause
16 as to why the instant Motion to Withdraw does not violate Rule
17 11. (Opposition at 9.) The Defendants do not provide authority
18 as to why these conditions are appropriate. See id.

19 Most of these conditions are not valid. First, the Lanham
20 Act provides that in exceptional cases the court may award
21 reasonable attorney fees to the prevailing party. 15 U.S.C. §
22 1117(a). If a party has raised colorable legal and factual
23 claims then the record supports a finding that no exceptional
24 circumstances exist. Boney v. Boney, 127 F.3d 821, 827 (9th Cir.
25 1997). Since Perfect 10 raised complex copyright and trademark
26 issues in this suit exceptional circumstances do not exist to
27 warrant attorney fees under the Lanham Act. The defendants also
28

1 request that the Court establish that the defendants prevailed on
2 the right to publicity claim. (Opposition at 9.) The Court will
3 not impose this condition because no party has prevailed on this
4 outstanding claim. Additionally, the defendants request the
5 Court issue an order to show cause as to why Perfect 10's motion
6 to dismiss does not violate Rule 11. Id. This Motion is made
7 pursuant to Federal Rule of Civil Procedure Rule 41 and is a
8 proper motion before this Court. For these reasons, the Court
9 does not impose these conditions on dismissal.
10

11 The only valid concern raised by the Defendants is whether
12 their interests should be protected by conditioning the dismissal
13 upon the payment of appropriate costs and attorney fees. See
14 Westlands Water Dist., 100 F.3d at 97. Although courts often find
15 that an attorneys' fees awards are necessary to prevent prejudice
16 to defendants such an award is not a mandatory condition for
17 dismissing without prejudice. Stevedoring Servs., 889 F.2d at
18 921 (attorney's fees not required). If attorneys' fees are
19 awarded the amount should only cover attorneys' fees for work
20 that cannot be used in future litigation. Westlands Water Dist.,
21 100 F.3d at 97.

22 The Court finds that dismissing this case without attorneys'
23 fees will not prejudice the Defendants for several reasons.
24 First, the plaintiffs brought their claims in good faith given
25 the similarity of the Plaintiff's images to the Defendant's
26 images. See Stevedoring Servs., 889 F.2d at 922 (stating that
27 the Ninth Circuit had not determined whether good faith is a
28 consideration in deciding whether to impose costs and attorneys


1 fees). Next, Perfect 10 presented a close question of prevailing
2 law on its copyright claims and decided to dismiss shortly after
3 this Court granted Summary Judgment on that claim. See id.
4 (relying on similar reasoning for denying attorney's fees).
5 Perfect 10 also brings this Motion to Dismiss with the intent of
6 conserving legal fees and judicial resources by focusing on its
7 appeal and trying the dismissed claims in conjunction with the
8 related copyright claims in the event that an appeal of the
9 Court's copyright claims is granted. (Motion at 4-6.)
10 Additionally, the Court would not reimburse legal fees that will
11 be useful in continuing litigation and some of the legal fees
12 incurred may be useful in defending Perfect 10's appeal. See
13 McLaughlin v. Chesire, 676 F.2d 855 (D.C. Cir. 1982); see also
14 Westlands Water Dist, 100 F.3d at 97. Finally, Perfect 10
15 accepts the condition that if its appeal is not successful then
16 the Court prohibits it from reinstating the dismissed claims
17 against the Defendant. This condition ensures that the
18 Defendants are not subject to the costs of this suit again unless
19 it is in conjunction with costs of the intertwined copyright
20 claims. See Clombrito v. Kelly, 764 F.2d 122, 133 (2nd Cir.
21 1985) (purpose of attorneys fee award to reimburse defendant for
22 costs that could be duplicated in another suit). Given these
23 considerations, the Court will not award attorneys fees in this
24 action.
25

26 V. CONCLUSION

27 For the reasons stated in this Order, the Motion for an
28 Order to Dismiss against CWIE and CCBill **WITHOUT PREJUDICE** is

1 GRANTED. No attorneys fees are awarded. The Court imposes the
2 CONDITION on this dismissal that the plaintiff is not to
3 reinstate these claims against the Defendants unless it succeeds
4 on its appeal of its copyright claims.
5 IT IS SO ORDERED.

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7 Dated: November 8, 2004

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9 
10 LOURDES G. BAIRD
11 United States District Judge
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